City of Las Vegas

Agenda Item No.: **76.**

AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF: JULY 15, 2009

DEPARTMENT: CITY ATTORNEY
DIRECTOR: BRADFORD R. JERBIC

☐**Consent** ☒ **Discussion**

SUBJECT:
RECOMMENDING COMMITTEE: BILL ELIGIBLE FOR ADOPTION AT THIS MEETING

Bill No. 2009-23 ABEYANCE ITEM - Updates the Citys business license fee provisions to increase the gross sales license fee; include for certain license categories annual fee adjustments based on the Consumer Price Index and the Citys growth rate; adjust license fees for certain alcoholic beverage licenses; and add provisions regarding the licensing and regulation of persons who rent or lease certain types of commercial property. Sponsored by: Councilman David W. Steinman - NOTE: The amended version of the bill no longer includes adjustments tied to the Citys growth rate.

Fiscal Impact

☐ **No Impact** ☐ **Augmentation Required**

☐ **Budget Funds Available**

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
This bill will update the City's business license fee provisions to increase the gross sales license fee; include for certain license categories annual fee adjustments based on the Consumer Price Index and the Citys growth rate; adjust license fees for certain alcoholic beverage licenses; and add provisions regarding the licensing and regulation of persons who rent or lease certain types of commercial property. The bill is proposed to go into effect on July 1, 2009. Comments from affected business groups have been solicited and considered.

RECOMMENDATION:
FORWARDED to Full Council at 7/1/2009 City Council Meeting with no recommendation pursuant to a tie vote on a Do Not Pass recommendation by the 6/16/2009 Recommending Committee.

First Reading 5/20/2009; First Publication 6/19/2009

BACKUP DOCUMENTATION:
1. Bill No. 2009-23
2. Business Impact Statement
3. First Amendment

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Motion made by STEVEN D. ROSS to Strike

Passed For: 0; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0
None; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:
JIM DiFIORE, Business Services Manager, explained that this bill would limit the sliding scale for fees based on gross revenue to businesses with less than $180,000 in gross revenue. Businesses with gross revenue exceeding $180,000 would pay a slight increase in fees. He recommended removing the provision that would annually adjust business fees based on the Consumer Price Index (CPI). Any proposed fee increases will be brought before the Council in a public hearing on an annual basis.

MR. DiFIORE noted this bill adds a business license fee for businesses that rent or lease commercial property and the fee would be based on a sliding scale. This fee will not apply to owner-occupied businesses already paying licensing fees. He explained that this fee is not double taxation because the City is asking these businesses renting or leasing commercial space to pay licensing fees required from other businesses. He stated this bill, if approved, would have an effective date of January 1, 2010, and recommended approval as a Second Amendment.

CITY ATTORNEY BRAD JERBIC informed COUNCILMAN WOLFSON that he was permitted to vote on this item because this bill would have an equal impact on similar business owners.

MAYOR GOODMAN noted the current economic challenges and suggested that commercial real estate market will be affected next. Using the World Market Center as an example, he stated he could not support this bill unless the fee imposed on businesses leasing or renting commercial space is based upon space actually being leased or rented. MR. DiFIORE explained that the World Market Center would be charged the fee on the total space available, but would only be charged one fee for all its properties.

CITY MANAGER ELIZABETH FRETWELL highlighted the importance of maintaining the Citys fiscal integrity, which was the basis for bringing this fee bill forward. She noted that staff had examined the Citys operations and brought several recommendations to the Council in an effort to reduce the Citys overall costs. This bill is an effort to address the Citys revenues and CITY MANAGER FRETWELL pointed out that some business licensing fee schedules have not increased in decades. She observed that the time is never right for a fee increase because change is not wanted. She explained that the City has very few options for addressing the budget because it has no control over its revenues, with the exception of fees. Staff is examining all the Citys fee schedules and systematically bringing them forward to the Council for consideration. CITY MANAGER FRETWELL stated that staff has made every effort to maintain a fair and open dialogue with the impacted industries and noted that this bill would leave all parties dissatisfied. She pointed out that any revenues from this bill would be much less than expected and further steps would be needed to address the Citys budget issues.

In response to COUNCILMAN WOLFSONS questions, MR. DiFIORE estimated that the City would receive an additional $700,000 annually if this bill is approved and it would impact 15,000 licensees. CITY MANAGER FRETWELL stated the City has a $1.6 billion, five-year Capital Improvement Program with $150-$200 million budgeted for each year. COUNCILMAN WOLFSON acknowledged that this bill was brought forward at the Council's request, but noted that he had received several emails in opposition to the bill.

MAYOR GOODMAN pointed out that 350 positions have not been filled and $700,000 would have funded seven positions. He noted that the City has fewer staff to provide the services expected by its citizens. While he thanked MR. DiFIORE for working with the industry, he observed that the private sector is part of a give-and-take relationship with the City.

KEVIN HIGGINS, President of Society of Industrial and Office Realtors (SIOR), stated he resides and operates his businesses within the City. While he acknowledged the challenges facing the City and the State of Nevada, he expressed his opposition. He pointed out that owners and tenants are struggling throughout the Las Vegas Valley and this fee will exacerbate the situation. He informed COUNCILMAN WOLFSON that under this bill, his tavern licensing fee would increase by $25,000 and the implementation of this bill would be difficult. He added that this fee increase will make Clark County more attractive to businesses.

MR. DiFIORE explained that the fee schedule for commercial leasing was based on Clark Countys fee structure. He stated that the City was requesting a very modest fee increase and the City would remain attractive to businesses. COUNCILMAN WOLFSON observed that this fee doesnt currently exist in the City and MR. HIGGINS suggested that Clark County is not strictly enforcing this fee.

KIPP COOPER, Greater Las Vegas Association of Realtors (GLVAR), thanked MR. DiFIORE and his staff for their work throughout this process. He expressed his opposition to the business licensing fee for commercial leasing, pointing out over 3,000 realtors have left the GLVAR and the high vacancies in commercial space throughout the City. He suggested that this fee would harm small business owners and those who lease commercial space.

ATTORNEY PAUL LARSEN, 300 South 4th Street, appeared on behalf of the Las Vegas Chamber of Commerce. He thanked CITY MANAGER FRETWELL, MR. DiFIORE and MS. MEYER for their work on this bill and expressed his support for discussing any fee increases in a public hearing and the other proposed amendments. He suggested that the City was attempting to impose a tax on businesses to support City services rather than a fee to recover costs associated with regulating a particular industry.

CHIEF DEPUTY CITY ATTORNEY VAL STEED stated that the City Charter and State law authorize the City to regulate business for regulatory purposes and revenue, with or without a public hearing. He observed that the words tax and fee are used interchangeably, but both a tax and a fee cannot be charged on a business.

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LAUREN CALVERT ARNOLD appeared on behalf of the World Market Center and thanked MR. DiFIORE for working with her client throughout this process. She suggested that bill was vague and requested clarification of some of the terminology, particularly usable space and rentable space. She expressed support of the bill as amended.

JOHN RAMOS appeared in opposition, stating that these fee increases will put companies out of business. CHARLES WEBER, development consultant, and MIKE DUNN, commercial real estate broker, appeared in opposition and concurred with the previous speakers.

COUNCILMAN ROSS noted that his office had received several hundred emails and several letters in opposition to this bill. He recognized the hard work of CITY MANAGER FRETWELL to manage the Citys budget, but suggested that this attempt to raise revenue would further harm the Citys economy. He stated he could not support this bill at this time, but would ask that these fees be discussed again when the economy recovers.

CITY ATTORNEY BRAD JERBIC suggested striking this item from the agenda which will prevent any further action on this bill. He noted a new bill addressing these fees could be brought before the Council at a later date.

COUNCILMAN REESE thanked staff and the industry representatives for their hard work on this bill, but stated that the City was experiencing significant economic challenges and he could not support this bill at this time. COUNCILMEN WOLFSON and BARLOW concurred.